

JAIN GANDHARV & ASSOCIATES
CHARTERED ACCOUNTANTS

D-15/15, Ground Floor,
Ardee City, Sector-52
Gurgaon- 122011
E: jaingandharv@gmail.com
T: +91-9899931962

VALUATION REPORT OF
R SYSTEMS INTERNATIONAL LIMITED
AS OF 31st MARCH, 2019

May 01, 2019

Prepared by:
Jain Gandharv & Associates
Chartered Accountants

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May 01, 2019

To
Board of Directors,

R Systems International Limited
C-40, C Block,
Sector 59, Noida-201307,
Uttar Pradesh, India

Subject: Valuation opinion on fair value of equity share for the proposed reduction of capital of R Systems International Limited

Dear Mr. Nand Sardana,

In accordance with our engagement letter dated April 15, 2019, we have prepared a valuation report to express our opinion on the fair value of equity shares of R Systems International Limited (hereinafter, "R Systems" or the "Company") as of March 31, 2019 (the "Valuation Date") on a fully diluted basis.

The Company is proposing the scheme of capital reduction pursuant to the Section 66 of Companies Act, 2013 and other applicable regulations of Securities and Exchange Board of India (hereinafter "SEBI").

We have provided the valuation opinion in the capacity of Registered Valuer under the provisions of Companies Act, 2013 by CA Gandharv Jain and in the capacity of Independent Chartered Accountant as per the regulations of Security and Exchange Board of India by Jain Gandharv & Associates, Chartered Accountants.

Our analysis and report are in conformity with the "ICAI Valuation Standards" (IVS) issued by the Institute of Chartered Accountants of India. In addition to the general standards/ guidelines of the IVS, our report specifically complies with *ICAI Valuation Standard 102 - Valuation Bases*, *ICAI Valuation Standard 103 - Valuation Approaches and Methods*, *ICAI Valuation Standard 201 - Scope of Work, Analyses and Evaluation*, *ICAI Valuation Standard 202 - Reporting and Documentation* and *ICAI Valuation Standard 301 - Business Valuation*.

In rendering the aforementioned advisory services, we reviewed and relied upon various materials/ information provided by the management of the Company (the "Management"). Our report is based on the historical financial information provided to us by the Management. Because of the limited purpose of this report, the financial information presented in this report may be incomplete and contain departures from generally accepted accounting principles.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein. We have not audited, reviewed, or compiled the financial information provided by the Management and express no assurance on it. Had we audited or reviewed the financial information, matters may have come to our attention that could have resulted in our use of the amounts that differ from those provided. Accordingly, we take no responsibility for the underlying data presented in this report.

Based on our study and analytical review procedures, and subject to the limitations expressed within this report, our opinion of the fair value of equity shares of R Systems International Limited on a going-concern basis, for the purpose of complying with the valuation requirements under the Companies Act, 2013 and Regulations and Circulars issued by Securities and Exchange Board of India in relation to capital reduction as on March 31, 2019 is INR 65.46 per equity share.

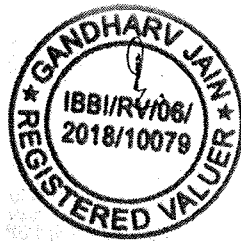


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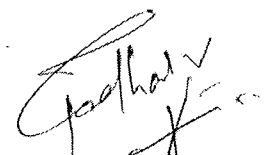
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We have no present or contemplated financial interest in R Systems. Our fees for this valuation are based upon our normal billing rates and are in no way contingent upon the results of our findings. We have no responsibility to update this report for events and circumstances occurring subsequent to the date of this report. This report is not to be copied or made available to any persons without the express written consent of Jain Gandharv & Associates.

For Jain Gandharv & Associates
Chartered Accountants



Firm Registration No: 026028N


CA. Gandharv Jain

Proprietor

Date: May 01, 2019
Place: Gurgaon

ICAI Membership No: 511064
IBBI Registration No: IBBI/RV/06/2018/10079
UDIN: 19511604AAAAAN4691

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A. Purpose of Valuation

R Systems, founded in 1993, is IT Services & Solutions and IT-enabled services provider. It's services and solutions extended across five major verticals which include Telecom & Digital Media, Banking & Finance, HealthCare, Manufacturing & Logistics, and Retail & E-Commerce.

The Management of R Systems is considering a Scheme of Capital Reduction under the provision of Sections 66 and other applicable provisions of the Companies Act, 2013. The scheme provides for re-organization and reduction of equity share capital of R Systems.

As per the requirements of Para I(A)(4) of Circular No. CFD/DIL3/CIR/2017/21, dated 10-3-2017 issued by Securities and Exchange Board of India ("SEBI") where a listed company proposing any scheme of arrangement / amalgamation / merger / reconstruction / reduction of capital, a valuation report from an independent Chartered Accountant is required.

We, Jain Gandharv & Associates, Chartered Accountants, have been appointed by the Management to arrive at the fair value of equity shares of R Systems for the proposed Scheme of Capital Reduction in compliance with the provisions of the above SEBI Circular.

The purpose of this advisory report is to express an opinion on the fair value of the equity shares of the Company as of March 31, 2019 to comply with the valuation requirements under the Companies Act, 2013 and regulations issued by SEBI with respect to the scheme of capital reduction proposed by the company.

B. Sources of Information

Our expression of the opinion on the fair value of the Company is supported by all procedures that we deem to be relevant. We have obtained sufficient information in accordance with *IVS 201 - 'Scope of Work, Analyses and Evaluation'*, and relied on the data, facts, information, documents, and explanations as authenticated, and provided to us by the Management and other data available in the public domain. Information relied upon for the valuation purpose is listed below.

- i. Draft Scheme of Capital Reduction of R Systems International Ltd and its Shareholders and Creditors.
- ii. Audited Consolidated Financial statements of the Company for the years ended December 31, 2017 and December, 2018.
- iii. Provisional Financial Statements of the Company for the 3-month period ended March 31, 2019.
- iv. Shareholding pattern of the Company as of March 31, 2019.
- v. Payment schedule of contingent considerations.
- vi. Data extracted from publicly available sources believed to be reliable and true (i.e S&P Capital IQ, Moneycontrol, NSE India and BSE India)
- vii. Applicable laws and public circulars under SEBI Law and provisions of the Companies Act, 2013.
- viii. Discussions with the Management, and other quantitative and qualitative data.

Supporting data, copies of source documents and other pertinent information supporting our opinion of value are maintained in our files.



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C. Procedures Adopted

In connection with the exercise, we have adopted the following procedures to carry out the valuation:

- i. Requested and received financial and qualitative information.
- ii. Obtained data available at public domain.
- iii. Discussions (physical/over call) with the Management to understand the business and fundamental factors that affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance.
- iv. Undertook Industry Analysis including:
 - Research publicly available market data including economic factors and industry trends that may impact the valuation.
 - Analysis of key trends and market multiples of comparable companies and comparable transactions using proprietary databases referred in sources of information section.
- v. Application of internationally accepted valuation methodology/(ies) as considered appropriate by us.

D. Scope, Limitations, Assumptions, Qualifications, Exclusions and Disclaimers

- Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.
- The recommendation contained herein is not intended to represent value at any time other than valuation date of March 31, 2019. We have no obligation to update this report.
- The relevant information for the purpose of this valuation has been provided by the Management. We do not make any representations or warranty, express or implied, regarding the achievability/ accuracy of the forecasts and accuracy/ completeness of such other information as provided by the Management. The information contained herein is based on the analysis of information available at the time when this report was prepared.
- This Report highlights the basis of the arriving at the value of the equity shares of the Company, identifies various factors affecting the valuation, summarizes the best valuation methodology keeping in view the circumstances prevailing at the time of valuation and arrives at the opinion on the value of the equity shares of the Company, considering the facts of the case. However, it may be noted that valuation is a highly subjective exercise and may differ from valuer to valuer depending upon the perception of attendant circumstances. At best it is an expression of opinion or a recommendation based on certain assumptions at a given point in time.
- Unless stated otherwise, industry and market data used in this report have been obtained from market research, publicly available information and industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability is not assured. Industry data used in the Report has not been independently verified. The information included in the Report about other listed and unlisted companies is based on their respective annual reports and their respective publicly available information.



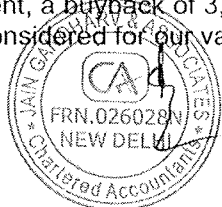
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- In no event shall we be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or wilful default on the part of R Systems, their directors, employees or agents. In no circumstances shall the liability of JGA relating to services provide in connection with the engagement set out in this report exceed the amount paid to us in respect of the fees charged for those services.
- Users of this report should be aware this report is based on assumptions regarding future earnings potential, and/or certain asset values that may or may not materialize. Therefore, the actual results achieved in the future will vary from the assumptions utilized in this report, and the variations may be material.
- The Company and its representatives warranted to us that the information they supplied was complete and accurate to the best of their knowledge and that the financial statement information reflects the Company's results of operations and financial condition, unless otherwise noted. Information supplied by the Management has been accepted as true and correct, and we express no opinion on that information.
- We have relied upon the representations of the owners, the Management and other third parties concerning the value and useful condition of all equipment, real estate investments, investment used in the business, and any other assets or liabilities except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances, or that the Company has good title to all assets.
- We have assumed that the Company will maintain the character and integrity of the Company through any reorganization or reduction of any owner's/manager's participation in the existing activities of the Company.
- The various estimates of value presented in this report apply to this valuation only and may not be used out of the context presented herein. This valuation is valid only for the purpose or purposes specified herein. This report is valid only for the effective date specified herein.
- This Valuation Report was prepared in compliance with, and meets the reporting requirements of the ICAI Valuation Standards.
- We have presented certain information within this report, which was taken from sources including, but not limited to, financial statements, tax returns, and corporate history. This information has been supplied by the Company or its representatives. The historical financial information presented within is included solely to assist in the development of the value conclusion presented in this report, and it should not be used to obtain credit or for any other purpose. Because of the limited purpose of this presentation, it may be incomplete and contain departures from generally accepted accounting principles. We have not audited, reviewed, or compiled this presentation and express no assurance on it. Accordingly, this report should not be construed, or referred to, as an audit, examination, or review by JGA.
- This report is neither an offer to sell, nor a solicitation to buy securities, and/or equity in, or assets of, the Company.

E. Shareholding Pattern

The shareholding pattern of the Company as of March 31, 2019 is provided in the table below. In the subsequent event, a buyback of 3,690,000 equity shares has been executed on April 15, 2019, which has not been considered for our valuation purpose.



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R Systems International Limited Shareholding Pattern as on 31st March, 2019

Category of shareholder	No. of fully paid up equity shares held	% of Share Capital
Promoter & Promoter Group	63,445,830	51.17%
Public	60,544,595	48.83%
Total	123,990,425	100%

F. Capital Reduction Scheme

Following are the extracts of the proposed scheme of capital reduction of R Systems International Limited and its shareholders and creditors under Section 66 of the Companies Act, 2013:

R Systems has an employee welfare trust named as R Systems Employees Welfare Trust (hereinafter referred as "Trust") wherein certain employees had been specified as eligible beneficiaries to get the equity shares of R Systems on vesting and exercise of options granted to them as per R Systems International Ltd. Employees Stock Option Plan - Year 2001.

The Trust transferred equity shares of R Systems on exercise of options by the eligible employees prior to January 2006 and thereafter no options were in force which could have been exercised subsequently. Hence, since January 2006 till date, there are no ascertained employees or beneficiaries of this Trust who are eligible to get the Trust Fund including the equity shares in R Systems as held by Trust.

As on the Valuation Date, the Trust holds 738,980 equity shares of Re.1/- each in R Systems. Since, there is no eligible employee or beneficiary of this Trust, hence Trustees are considering to wind up this Trust in near future post utilization or extinguishing the Trust Fund. The extinguishment of Trust Fund would result into cancellation of equity shares of R Systems held by this Trust. Therefore, R Systems is re-aligning its share capital structure by cancelling the equity shares held by the Trust following the process of capital reduction.

In view of the above, the Management of R Systems has decided to reduce the paid-up equity share capital of R Systems by cancelling and extinguishing the equity shares as held by the Trust and there will be no payout to the Trust pursuant to the proposed capital reduction.

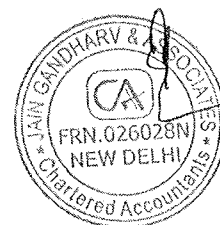
Furthermore, Board has also considered that the proposed capital reduction would not have any adverse effect on the creditors of R Systems and the Company would honour its commitments and meet its obligations in the ordinary course of business and also there is no payout to the Trust pursuant to the proposed capital reduction.

G. Valuation Approaches

Our opinion is based on, among other things, our estimate of the risks facing the Company and the return on investment that would be required on alternative investments with similar levels of risk.

In order to value the Company, we considered three approaches to valuation, as provided under the IVS 103 – Valuation Approaches and Methods namely;

1. Asset Approach – Book Value Method
2. Income Approach
 - a. Discounted Cash Flows Method
 - b. Capitalization of Free Cash Flows Method
3. Market Approach –
 - a. Comparable Companies Multiples Method
 - b. Comparable Companies Transaction Method



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We have reviewed and analysed above methods and their results to determine which methods would generate the most reasonable opinion of value of the Company's operations as on the valuation.

H. Valuation Opinion

As per the SEBI (ICDR) Regulations, 2018 pricing rules for frequently traded shares states that *"If the equity shares of the issuer have been listed on a recognised stock exchange for a period of twenty six weeks or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:*

- a. *the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty-six weeks preceding the relevant date; or*
- b. *the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date."*

Further, SEBI (ICDR) Regulations, 2018 defines frequently traded shares *"means the shares of the issuer, in which the traded turnover on any recognised stock exchange during the twelve calendar months preceding the relevant date, is at least ten per cent of the total number of shares of such class of shares of the issuer"*

On applying the above pricing methodology as per SEBI (ICDR) Regulations, 2018, we observed that the company's traded turnover during the twelve calendar months preceding the relevant date is less than ten per cent of the total number of shares. Therefore, we have applied the methods of valuation provided for infrequently traded shares. In this respect SEBI (ICDR) Regulations, 2018 states that *"Where the shares of an issuer are not frequently traded, the price determined by the issuer shall take into account the valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies: Provided that the issuer shall submit a certificate stating that the issuer is in compliance of this regulation, obtained from an independent valuer to the stock exchange where the equity shares of the issuer are listed"*

Valuation under different methods as per regulations has been presented below:

a) Asset Approach - Book Value Method

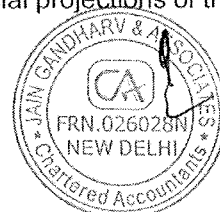
The asset-based (net underlying assets) approach is a form of the cost approach. The sum of the individual asset values represents the total asset value of the enterprise. The enterprise's liabilities related to working capital are deducted to arrive at an indication of value for the invested capital of the business. Because the cost approach does not always reflect the full value of intangible assets, it is often not appropriate to value an operating business. An asset's book value is equal to its carrying value on the balance sheet, and companies calculate it netting the asset against its accumulated depreciation.

Book value as on valuation date March 31, 2019 has been calculated in the Appendix 1 of this report at INR 26.83 per equity share.

b) Discounted Cash Flow Method

The DCF method values the asset by discounting the cash flows expected to be generated by the asset for the explicit forecast period and also the perpetuity value (or terminal value) in case of assets with an indefinite life. The DCF method is one of the most common methods for valuing various assets such as shares, businesses, real estate projects, debt instruments, etc. This method involves discounting of future cash flows expected to be generated by an asset over its life using an appropriate discount rate to arrive at the present value.

R Systems being a listed entity, as per management information related to future financial projections is price sensitive. Therefore, we were not provided with the financial projections of the Company by the



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Management. Thus, we did not apply the discounted cash flow method to determine fair value of equity shares of R Systems.

c) Capitalization of Free Cash Flow Method

The capitalization of free cash flow method is an income-based approach which is used to value a business based on future estimated free cash flows to equity or free cash flows to the firm generated by the company. The projected free cash flow is capitalized using an appropriate capitalization rate. This method assumes that all of the assets, tangible or intangible, are indistinguishable parts of the business, and does not attempt to separate the values of the two. The capitalization of free cash flow method is a single period method that assumes a stable level of cash flow. This method is not appropriate for valuing companies in which the projected stream of cash flows is expected to vary. In the case with R Systems, the free cash flows in last few quarters have varied. Further, considering Company's growth plan, there may be variability in free cash flows in coming periods. Therefore, it is considered appropriate not to use capitalization of free cash flows method for aforesaid valuation.

d) Comparable Company Multiple Method

Under this method, value of equity shares of a company is arrived at by using multiples derived from the valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to the valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

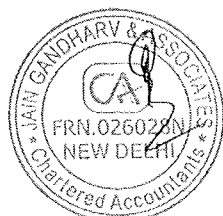
A search for publicly traded comparable companies with similar core business, sales size and other attributes has been analysed by using the various databases (S&P Capital IQ and Moneycontrol.com) and other publicly available data to arrive at the fair value of INR 62.71 per equity share. We have considered Enterprise Value to Revenue multiple and Enterprise value to EBITDA multiple of the comparable listed companies for the purpose of valuation.

e) Comparable Transaction Multiple Method

The comparable transaction multiple method is a market-based approach. The underlying principle of this method is that the value of a company is defined in terms of what it can be sold for in a cash transaction. This same value should apply not just to the company being sold, but also to other similar companies. Therefore, a company's value may be determined based on what similar or comparable companies have recently been sold for in cash transactions. The market approach using real transactions gives the good indication of the fair value or the correct worth of a business in the marketplace.

The transactional data is published by various informational sources. Each source compiles data on the transactions that have occurred and been reported to them by companies within a specific industry. Analysts then analyse these transactions and use the derived multiples as a basis for determining the value of a similar company.

We have used S&P Capital IQ database for our analysis of the Company, and eliminated the transactions which were not considered to be sufficiently comparable based on description, revenue size, transaction date, etc., resulting in a sample of 4 transactions. Based on transaction multiples of these transactions fair value of INR 68.22 per equity share has been arrived.



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I. Conclusion of Value

The basis of the valuation of R Systems have been determined after taking into consideration all the factors and methods mentioned hereinabove. Though different values have been arrived under each of the above methods, for the purposes of recommending the equity share value it is necessary to arrive at a final value. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approaches/method.

The equity values have been arrived are based on the various approaches/methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the business of R Systems, having regard to the information base, key underlying assumptions and limitations.

We have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of fair value per equity share of R Systems.

Value per equity share by each approach has been presented in the table below:

Valuation Approach	R Systems International Limited	
	Value Per Share (INR)	Weight
(a) Asset Approach		
Book Value Method	26.83	0%
(b) Income Approach		
Discounted Cash Flow Method	NA	NA
Capitalization of Free Cash Flow Method	NA	NA
(c) Market Approach		
Comparable Company Method	62.71	50%
Comparable Transaction Method	68.22	50%
Fair Value Per Equity Share	65.46	

